

# SENATE BILL No. 383

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 8-1.

**Synopsis:** System integrity adjustments. Provides that an eligible utility may petition the utility regulatory commission (commission) to charge a system integrity adjustment to recover or credit an adjustment amount based on the eligible utility's revenues. Provides that the commission, after a hearing, shall approve a properly calculated system integrity adjustment. Makes a technical correction.

**Effective:** July 1, 2016.

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## Charbonneau

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January 12, 2016, read first time and referred to Committee on Environmental Affairs.

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Second Regular Session 119th General Assembly (2016)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2015 Regular Session of the General Assembly.

## SENATE BILL No. 383

A BILL FOR AN ACT to amend the Indiana Code concerning utilities.

*Be it enacted by the General Assembly of the State of Indiana:*

1       SECTION 1. IC 8-1-2-0.5 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2016]: **Sec. 0.5. The general assembly declares that it is the**  
4 **continuing policy of the state, in cooperation with local**  
5 **governments and other concerned public and private**  
6 **organizations, to use all practicable means and measures, including**  
7 **financial and technical assistance, in a manner calculated to create**  
8 **and maintain conditions under which utilities plan for and invest**  
9 **in infrastructure necessary for operation and maintenance while**  
10 **protecting the affordability of utility services for present and**  
11 **future generations of Indiana citizens.**

12       SECTION 2. IC 8-1-31-9, AS AMENDED BY P.L.212-2015,  
13 SECTION 9, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
14 JULY 1, 2016]: Sec. 9. (a) When a petition is filed under section 8 of  
15 this chapter, the commission shall conduct a hearing.

16       (b) The office of the utility consumer counselor may:  
17       **(1)** examine information of the eligible utility to confirm:



- 1 (A) that the infrastructure improvements are in accordance  
 2 with section 5 of this chapter; ~~to confirm and~~  
 3 (B) proper calculation of the adjustment amount proposed  
 4 under section 8(a) of this chapter; and  
 5 (2) submit a report to the commission not later than thirty (30)  
 6 days after the petition is filed.  
 7 (c) The commission shall hold the hearing and issue its order not  
 8 later than sixty (60) days after the petition is filed.  
 9 (d) If the commission finds that a petition filed under section 8 of  
 10 this chapter complies with the requirements of this chapter, the  
 11 commission shall enter an order approving the petition.

12 SECTION 3. IC 8-1-31.5 IS ADDED TO THE INDIANA CODE  
 13 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
 14 JULY 1, 2016]:

15 **Chapter 31.5. System Integrity Adjustments**

16 **Sec. 1. The definitions in IC 8-1-2-1 apply throughout this**  
 17 **chapter.**

18 **Sec. 2. As used in this chapter, "actual revenues" means the**  
 19 **annual operating revenues that an eligible utility receives or**  
 20 **accrues for a twelve (12) month period authorized for recovery**  
 21 **through basic rates and charges approved by the commission in the**  
 22 **eligible utility's most recent general rate case. However, the term**  
 23 **does not include the following:**

- 24 (1) Revenues received through an infrastructure improvement  
 25 charge approved by the commission under IC 8-1-31.  
 26 (2) Revenues from the operation of a utility that an eligible  
 27 utility acquires after the commission's most recent order  
 28 establishing the eligible utility's level of annual operating  
 29 revenues authorized for recovery by the eligible utility  
 30 through existing rates and charges.

31 **Sec. 3. As used in this chapter, "adjustment amount" means the**  
 32 **dollar amount:**

- 33 (1) by which an eligible utility's actual revenues for a twelve  
 34 (12) month period differ from the eligible utility's authorized  
 35 revenues for the same twelve (12) month period; and  
 36 (2) that the eligible utility seeks to recover from or credit to  
 37 customers through a system integrity adjustment requested in  
 38 a petition filed under section 11 or 12 of this chapter.

39 **Sec. 4. As used in this chapter, "adjustment revenues" means**  
 40 **revenues produced through application of a system integrity**  
 41 **adjustment. The term does not include revenue from other rates**  
 42 **and charges.**



1       **Sec. 5.** As used in this chapter, "authorized revenues" means the  
 2       annual operating revenues of an eligible utility approved by the  
 3       commission for a twelve (12) month period in the eligible utility's  
 4       most recent general rate case.

5       **Sec. 6.** As used in this chapter, "cumulative excess or deficit"  
 6       means the amount by which an eligible utility's actual revenues  
 7       are:

8               (1) in the case of an excess, greater than; or  
 9               (2) in the case of a deficit, less than;  
 10       the eligible utility's authorized revenues measured on a cumulative  
 11       annual basis from the effective date of the commission's order in  
 12       the eligible utility's most recent general rate case proceeding.

13       **Sec. 7.** As used in this chapter, "eligible utility" means a:

14               (1) public utility;  
 15               (2) municipally owned utility; or  
 16               (3) not-for-profit utility;  
 17       that provides water or wastewater service and is under the  
 18       jurisdiction of the commission for the approval of rates and  
 19       charges.

20       **Sec. 8.** As used in this chapter, "not-for-profit utility" has the  
 21       meaning set forth in IC 8-1-2-125(a). The term includes a utility  
 22       company that is owned, operated, or held in trust by a consolidated  
 23       city.

24       **Sec. 9.** As used in this chapter, "system integrity adjustment"  
 25       means an amount charged by an eligible utility to allow the  
 26       automatic adjustment of the eligible utility's basic rates and  
 27       charges to recover from or credit to customers an adjustment  
 28       amount.

29       **Sec. 10.** As used in this chapter, an eligible utility's "system  
 30       integrity collar" is satisfied when the eligible utility's cumulative  
 31       excess or deficit equals or exceeds a dollar amount that is equal to  
 32       the product of:

33               (1) the eligible utility's authorized revenues; multiplied by  
 34               (2) two hundredths (0.02).

35       **Sec. 11. (a)** An eligible utility that is not collecting a system  
 36       integrity adjustment may file with the commission a petition  
 37       setting forth rate schedules that establish a system integrity  
 38       adjustment to recover from or credit to customers the eligible  
 39       utility's adjustment amount. The petition must establish that the  
 40       eligible utility's system integrity collar has been satisfied on a  
 41       cumulative basis following the effective date of the commission's  
 42       order in the eligible utility's most recent general rate case.



(b) An eligible utility shall serve the office of the utility consumer counselor a copy of the petition at the same time the petition is filed with the commission. The office of the utility consumer counselor may do the following:

(1) Examine information of the eligible utility to confirm proper calculation of the proposed system integrity adjustment.

(2) Submit a report of the examination to the commission not later than thirty (30) days after the petition is filed.

(c) The eligible utility is not required to publish notice of its filing.

(d) The commission shall hold a hearing on the petition and issue its order not later than sixty (60) days after the petition is filed.

(e) If the commission determines that the system integrity adjustment is properly calculated, the commission shall enter an order approving the petition.

Sec. 12. (a) This section applies to an eligible utility for which the commission has issued an order approving a petition under section 11(e) of this chapter.

(b) An eligible utility shall file a petition for a change in its adjustment amount:

(1) not more than thirty (30) days after the end of each twelve (12) month period following the date on which the eligible utility files a petition under section 11 of this chapter; and

(2) until the commission issues an order in the eligible utility's next general rate case proceeding after the commission approves a system integrity adjustment.

(c) An eligible utility shall serve the office of the utility consumer counselor a copy of the petition at the same time the petition is filed with the commission.

(d) The eligible utility is not required to publish notice of its filing.

(e) The commission shall hold a hearing on the petition and issue its order not later than sixty (60) days after the petition is filed.

Sec. 13. For purposes of satisfying a system integrity collar, an eligible utility's cumulative excess or deficit shall be reset to zero (0) upon the effective date of the commission's order in the eligible utility's next general rate case proceeding after the commission approves a system integrity adjustment.

Sec. 14. At the same time an eligible utility files a petition under section 12 of this chapter, the eligible utility shall reconcile the



1 difference between:

2 (1) the adjustment amount approved by the commission for a  
3 previous twelve (12) month period; and

4 (2) the adjustment revenues received by the eligible utility  
5 during the same twelve (12) month period.

6 The eligible utility may recover from or credit to customers the  
7 reconciliation amount through a system integrity adjustment by  
8 filing a petition under section 11 of this chapter.

9 Sec. 15. For purposes of IC 8-1-2-42(a), the approval of a  
10 petition filed under section 11 or 12 of this chapter is not a general  
11 increase in basic rates and charges.

12 Sec. 16. The commission may adopt by rule under IC 4-22-2 or  
13 by order other procedures not inconsistent with this chapter that  
14 the commission finds reasonable or necessary to administer this  
15 chapter.

